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**FACULTY OF SOCIAL SCIENCES**

**DEPARTMENT OF POLITICS AND PUBLIC MANAGEMENT**

**BSc in PEACE STUDIES**

**AN ASSESSMENT OF THE RELATIONSHIP BETWEEN DEMOCRACY  
AND ECONOMIC GROWTH. A CASE STUDY OF ZIMBABWE, FROM  
1980 – 2008.**

**By**

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**A DISSERTATION SUBMITTED TO MIDLANDS STATE UNIVERSITY IN PARTIAL  
FULFILMENT OF THE REQUIREMENTS FOR THE BACHELOR OF SOCIAL SCIENCE  
HONOURS DEGREE IN PEACE STUDIES**

## DECLARATION

I Devera Tawanda declare this project is my original work and affirm that it had not been submitted to this or any other universities in support of my application for a post graduate degree or any other qualification

Signature..... Date.....

**APPROVAL FORM**

The undersigned certify that they have supervised the student dissertation entitled, *An Assessment of the Relationship between Democracy and Economic Growth. A Case Study Of Zimbabwe from 1980 - 2008*, by Devera Tawanda (R145165N) submitted in partial fulfillment of the requirements of the Bachelor of Social Sciences Honors Degree in Peace Studies at Midlands State University.

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## **DEDICATION**

This work is a special dedication to my beloved guardians, Mr and Mrs Devera for all their support, guidance and sacrifices they gave me since my tender age to date. Without their love, this academic passage would be impossible.

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Glory be unto the almighty who gave all the blessings and privileges that made the man I am today, may his name be forever praised.

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## **LIST OF ABBREVIATIONS**

ESAP	Economic Structural Adjustment Programme
GDP	Gross Domestic Product
SADC	Southern African Development Countries
TFP	Total Factor Productivity
UDI	Unilateral Declaration of Independence
WDB	World Development Bank
ZIMPREST	Zimbabwe Programme for Economic and Structural Transformation.

## **ABSTRACT**

*This research was conducted to assess the relationship that exist between democracy and economic growth, examining whether the two have an effect on each other, that is, does democracy foster or it actually hinders economic growth and also if economic growth influence a nation to be a democratic or to a be a non-democratic one. Thus the essence of the study is to investigate the robustness of the relationship. Zimbabwe was used as the case study to help out in the conduction of this research. The research appealed to secondary information as its own very source of data thus the data used to reach a conclusion pertaining to the objective of this research was derived from journals, books, government and non-governmental reports and internet sources. The results gained after the analysis of that data reveal that there is a relationship between the two variables, though the relationship cannot be said that it is that of close proximity. As the research was conducted using Zimbabwe as the case study, it wrapped up the study by giving recommendations linked to the nation used as the case study which sought to address problems which arose from the breakdown of the relationship and those which also affected the linkage of the two variables leaving the country bearing the undesirable consequences.*



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## **CHAPTER ONE**

### **1.1 Introduction.**

The debate on the relationship between democracy and economic growth is an intriguing one and it is actually far from being settled. Much of the discussion of this relationship focuses on the interplay which examines whether does democracy hinder or foster economic growth and also if economic growth influence countries to embrace the notion of democracy. Therefore it be should note that reversibly, both has a mutual effect on each other. Democracy serves as institutionalization of freedom as it loosen up some constraints conferred on people thus it induces much energies in people to work upon on whatever they wish which in turn would boost the capacity of people to produce goods and services hence improving a nation's economic growth and vice-versa an increase in the nation's ability to produce goods and services also aide in releasing some pressure by removing restraints on what people should choose from or do, this is because they will be no lacking in terms of people's needs thereby making it irrelevant to put restraints on people freedoms to choose or do whatever they wish thereby leading to the achievement of democracy. However, from the previous studies which are closely similar to this one, one can also note that democracy does not always determine a higher growth rate in an economy due to certain undesired effects it imposes on variables which augment economic growth nor does an increase in economic growth does imply the establishment of democracy in a nation. Thus this research is going to investigate the phenomena of this relationship with the intention of establishing facts which reveal the robustness of this relationship.

### **1.2 Background of the Problem.**

Prior 1980 before having gained independence, modern Zimbabwe was commonly known as Southern Rhodesia, a self-governing colony and later a self-proclaimed sovereign

government. This was a white-dominated government though the whites were the minority and the black citizens who were the majority did not have any say on the issues of governance. However, of relevance to note about the Southern Rhodesian government, commonly referred to as Unilateral Declaration of Independence government (UDI), relating to the issue at hand is that it can be clearly noticed that this government was dictatorial and racial in nature. This can be shown in that it did not represent the majority, an important characteristic of democratic governments, but only acted to serve the interest of the white citizens at the expense of the larger population who were the blacks. Due to the fact that it failed to reform on how its government was composed by refusing to adopt the policy of No Independence before African Majority Rule, Britain imposed economic sanctions on UDI government.

This period of 1965-1979 has a major role to play concerning this discussion. Economic sanctions led to a new era in the affairs of Rhodesia. According to Hurungo (2010) soon after the imposition of sanctions in 1965, the country underwent a serious economic discomfort which saw the decline in economic growth by -1.4% in 1966. However, the economy quickly recovered on the backdrop of a concoction of robust economic policies which were implemented by UDI to counter economic sanctions. In 1967 the economy registered a 5.6% growth rate. And the next years which were to follow an improvement in the economic growth rate was witnessed and the average growth rate was 5.42% during this decade. This was propelled by the ability of the country to adjust to self-sufficiency, to design and build forges and machine shops, pipeline castings and a variety of industrial goods. Thus UDI government managed to survive the storm of economic sanctions and in turn registered impressive growth rates against what was expected because of the economic sanctions imposed on it.

Fast-forward to 1980 the sub-Saharan nation underwent a shift in its kind of political system transiting to democracy from the dictatorial kind of government which was at the helm in the previous decades. During this time its name also changed from Rhodesia to Zimbabwe. This is now where the analysis of this research starts aspiring to see how after gaining its independence and changing its political nature did Zimbabwe perform economically thus in another way examining the relationship between democracy and economics, which in this case focus will be on economic growth. Moving on with the background of this study, highlighting how this happened the blacks managed to usurp the whites through the liberation struggle and finally gained independence in 1979 after negotiations at the Lancaster House. Afterwards it adopted constitutional democracy as its very own form of government. Soon after gaining independence Zimbabwe held its very first democratic elections in 1980. These elections were contested between various political parties, the frontrunners being the two belligerent parties in the liberation struggle Zimbabwe African National Union (ZANU) and Zimbabwe African People's Union (ZAPU). After the election ZANU emerged as the winners of the election with its representative in the presidential seat Robert Mugabe winning the majority vote.

On the economic front, since 1980 Zimbabwe economic performance has been mixed. Independence brought further resurgence in an economic activity with growth averaging about 5.5% during 1980-1990. Economic growth surpassed the average for sub-Saharan Africa during this period, this was influenced by favourable domestic and external conditions including lifting of the sanctions, stimulation of overall demand in the economy with redistributive fiscal policies and the opening up of external markets fuelled activity, this is according to the (Zimbabwean Report, 2012). Thereafter, until towards the end of 1990s growth was characterized by periods of boom and bursts corresponding to periods of good weather and severe droughts. Poor policy environment, government controls and measures to



address social inequalities at the expense of production combined to cause poor performance of the economy.

From 2000-2008, a sustained broad-base decline in economic activities led to a cumulative decline of nearly 50% in real gross domestic production (GDP) growth. The Zimbabwean Report (2012) argues that the crisis can be largely attributed to a combination of factors, including economic mismanagement, poor governance mainly arising from weakness in the rule of law in the context of the governments fast tracked land reform program, the concomitant loss of support from the international community, capital flight and loss of investment. The inflation rate increased substantially from 2000, reaching triple figures in 2006. It then moved to severe hyperinflation in 2007 before peaking at 500 billion at the end of 2008. It was fuelled by years of money creation to finance public expenditures and quasi-fiscal spending by the Reserve Bank of Zimbabwe.

Furthermore, sustained high inflation contributed to real output contraction, while widespread controls of producer and retail prices accentuated shortages of most consumer items. Expropriation of farm land and resettlement in communal land and commercial agriculture exacerbated the decline of food output. Zimbabwe poor growth can also be attributed to low rates of investment. Gross domestic investment averaged about 18% of GDP during 1980-1990 and 19% during 1990-1999 respectively. It fell drastically to about 3% of GDP in 2000-2006. The investment rates in recent years are below the average for low income Sub-Saharan Africa of 19% of GDP. The level of investment since 2000 has therefore been inadequate for the maintenance of existing stock of capital, let alone expansion of the productive base. As a result of the drastic decline in economic performance Zimbabwe has experienced a rapid increase in poverty, inequality and unemployment.

### **1.3 Problem Statement.**

This research probes onto the connection that exist between democracy and economic growth to find out if the two corresponds positively or negatively or that the relation is insignificant to make any conclusions.

### **1.4 Definition of Terms**

#### **a) Democracy.**

There is an abundant literature relating to democracy, with countless definitions of what democracy should be and what democracy is. In etymological terms, the word comes from the ancient Greek word (demokratia) which combines ‘demos’, the people with kratos meaning rule, power or strength. Put together, the literal denotation of democracy is ‘rule by the people’ culminating in a popular government. Some conceptual work of academic scholars explicitly reviews the conceptual diversity of theoretical framing attempts of democracy (Bulmann et al, 2008; Schimdt, 2002 as cited in Campbell 2008, p.5). Campbell (2008) argues that ‘the essential of democracy idea is that the people have the right to determine who governs them. In most cases, they elect the principal governing officials and hold them accountable for their actions.’ Popular definition to many is that of Abraham Lincoln (1958) who defined democracy as the government of the people, by the people, for the people.

#### **b) Economic Growth.**

Economic growth is the increase of gross domestic production or other measure of aggregate income. The aspect of economic growth focuses only on the quantity of goods and services produced. Economists draw a distinction between short term economic stabilization and long-term economic growth. The topic of economic growth is primarily concerned with the long run and the short-term variation is termed the business cycle. Another important aspect to mention is that economic growth is can be either positive or negative. Negative growth can be referred to by saying that the economy is shrinking and it is associated with economic recession and economic depression.

### **1.5 Theoretical Framework**

The researcher applied the classical theory in evaluating the relationship. The classical theory is an economic theory which try to address those economic questions related to economic growth. Adam Smith's work "Wealth of Nations" (1776) is usually considered to mark the beginning of classical economist. The most famous and outstanding representatives of the classical school are: Adam Smith (1723-1790), Thomas Malthus (1766-1834), Stuart Mill (1808-1873) and others. Adam Smith linked the increase in the wealth of people with the improvement of the output of factors of production (capital, labour and land) which is reflected in the growth of labour productivity and increase in the size of functioning capital, (Sharipov 2007). Great attention was attached to investment, discoveries of new technology and increase in the share of workers. Investment was recognized as endogenous and depended on hardworking and savings of the capitalist and by savings it meant the sum of reserves used not for personal consumption but for industrial purposes. The main reason behind increased productivity by Smith was technological progress. Sharipov (2007) argued that Smith saw competition at the heart of economic sector and the national economy as a

whole thus he believed that the economy could grow rapidly with improvements in technology.

Having outlined the tenets of the classical theory one can notes that it do pin economic growth down only to economic factors however what this study is also intent on finding out is that, are there not any other factors which can account also for economic growth thus this research brings on the aspect of democracy into play. What this study is going to do is to assess the role that democracy play in economic matters, looking to find out if it has got a relationship with economic growth, be it direct or indirect.

### **1.6 Research Questions.**

1. Does democracy promotes or it hinders economic growth?
2. Is democracy relevant to economic growth?
3. What are the effects of high/low economic growth on democracy?

### **1.7 Research Objectives.**

The main objective of this research is to investigate how democracy and economic growth relate, with special attention being given to Zimbabwe which is the case-study of this research.

#### **The sub-objectives are:**

- To show out if democracy is relevant to economic growth.
- To give clear effects of economic growth on democracy.

### **1.8 Literature Review.**

The democracy and economic growth relationship phenomena is a phenomenon which has attracted a lot of interest from various scholars across the field of social sciences. Most of the literature by these scholars divulge in examining how the nature of political regimes have a bearing on the aspect of how countries are able to develop. Political regimes have been defined by Plato (403 B.C) as forms or the organization of governments. The type of regime which is of much importance to this discussion is that of democracy thus this study is going to examine literature which has focused more on the relationship between democracy and economic growth. Political regimes through inducing some effects on the variables which impact growth have the capacity to determine how a country's development can shape out. The mechanisms which interlink the two variables are investment, state expenditure and property rights thus these mechanism form the centre of debate in much of the discussions of the previous literature by the scholars in an attempt to explain this relationship.

Moving on to the arguments from the researches made by other scholars already, one can note that it has proved to be a difficult task for much of these scholars to come up with remarkable conclusions pertaining how democracy and economic growth go on alike. The conclusions from the researches have been of different natures, some are of the idea that democracy is of no significance to economic growth, that there no effect between the two and others have concluded that democracy enhances economic growth. In their research titled, *Political Regimes and Economic Growth*, Przeworski and Limongi (1993) analyse the linkage through a series of arguments which concentrate on how democracy affect those mechanisms essential to economic growth and. On the aspect of investment Przeworski and Limongi (1993) refer their discussion to a statement by Galenson and Scheinitz (1959) who reasoned that democracy unleashes pressures for immediate consumption which occur at the expense of investment, hence growth. From this perspective democracy is viewed as inimical to economic growth. In their examination of this issue, Przeworski and Limongi (1993), go on

further to cite Rao 1984 who asserted that “Economic development is a process for which huge investments in personnel and material are required. Such investment programs imply cuts in current consumption that would be painful at low levels of living that exist in almost developing societies. Governments must resort to strong measures and they enforce them with an iron hand in order to marshal the surpluses needed for investment. If such measures were put to popular vote, they would surely be defeated. No political party would hope to win democratic elections on a platform of current sacrifices for a brighter future.” Assumptions from the line of thinking of these scholars above were thus low investment inconveniences economic growth of which democracy lowers the rate of investment through demands of current consumption. Another assumption was that dictators were future-oriented, (Przeworski and Limongi 1993). The reasons why this would be the case, the literature is silent on that. From these argument it was thus concluded that democracy undermines investment in turn affecting economic growth negatively.

Property rights were also used as a mechanism to explore the interrelation of the two variables of the study in the works of Przeworski and Limongi. Property rights may be defined as exclusive authority to allow one to determine how a resource is used whether that resource is owned by the government or by individuals. They point out to Karl Marx argument which contends that through democracy the chains of class struggle are inevitably unchained thereby offsetting economic conflicts which hamper economic growth. However they also find out support in favour of democracy concerning this issue of property rights through the works of North who advance the idea that property rights are indispensable to growth. North claim that “the more likely it is that the sovereign will alter property rights for his or her benefit, the lower the expected returns from investment and the lower in turn the incentive to invest. For economic growth to the sovereign of government must not merely establish the relevant set of rights but must make incredible commitment to them.” Yet North

is never explicit about the institution that would provide this commitment, (Przeworski and Limongi 1993). In Olson's works they do find a study which attempt to point the kind of government which link them to what North stresses out. Olson argued that an autocrat cannot credibly commit himself: "if he runs a society there is no one who can force him to keep his commitments. Thus in this argument of property rights Przeworski and Limongi (1993) finalize that either way democracy might be the best regime when it comes to this issue of protection of property rights or it may work against it.

In the summary of their paper Przewoski and Limongi (1993) had an inconclusive result of the relationship thereby giving a lifeline to this kind of research. They failed to find out if there is a relationship between the two. In their own words they posit that all we can offer at this moment are educated guesses and they do recommend the need for similar researches to the one they carried out for they identified that the topic was still wide open for reflection and research, Przeworski and Limongi (1993).

In perpetuation of existing theoretical studies regarding this topic, one might appraise a study by Kurzman et al (2002) titled *Democratic Effect on Economic Growth*. In their analysis of the relationship, they look up no further than to the debate between two of the most classical scholars namely Hobbes and Harrington. Firstly it was Hobbes who proffered up his idea known as "trade-off perspective" which was in support of democratic regimes being able to improve the economic performance. In 1956 Harrington then made a response to Hobbes with his own king of thinking which differed much from Hobbes and it came to known as the "win-win" perspective which supported democracies as being a better political system to turn up the fortunes of the economy.

Hobbes beliefs of absolute regimes being more likely to improve the public welfare mooted from the fact that democracies negatively affected those mechanism which stimulate

economic growth. To clarify on this, the trade-off perspective by Hobbes argued that investment suffers in democracies because of its inability to compel the citizens to curtail consumption levels. Investment is only possible in an environment where people are willing to sacrifice for exchange of future benefits. People therefore should save more and reduce their consumption rate.

Another element which democracy negatively affect according to Hobbes is that of state-expenditure. According to Kurzman et al (2002) there is a near consensus by economist that overly high state spending imposes a heavy burden on economic growth, this is so because it reduces again national savings and divert resources into interest payments. Thus for the trade-off perspective by Hobbes there is need to limit state social spending to facilitate economic growth. Yet social programs may be popular and recipient groups may be well organized to defend their benefits thus democracies in this view are vulnerable to pressure from such groups and find it difficult to bring social spending under control, (Kurzman et al 2002).

In contrary to Hobbes, Harrington in his “win-win” placed his belief much in democratic leaders who to him stood up as being in a better position to change the economic fortunes of a nation in a much better positive way. This was so because he saw rulers in dictatorial nations as potential looters. To support his points, Harrington focused also on those economic mechanisms which the political regimes are able to effect. He argues that investment will grow in a climate of liberty and where property rights are secure from arbitrary power of the state, (Kurzman et al 2002).

### **1.9 Gap.**

This study seeks to fill gaps in previous researches on the relationship between democracy and economic growth in Zimbabwe by using estimation techniques that do not only control for spatial effects but also permit for longitudinal comparisons. This study adds to scarce



literature on democracy and economic growth in Zimbabwe by looking at data from 1980 to 2008. This research focuses in Zimbabwe for a number of reasons. First it is a country that have seen more economic and political instability since independence than its counterparts. Second, it had had less control from former colonial masters after independence as compared for instance to its neighbour South Africa but was left on its own to manage its economic and political affairs.

### **1.10 Justification of the study.**

The aim of this research is to make people aware of the real deal of the relationship that exist between democracy and economic growth. This will help by serving as a guide to policymakers when dealing with matters of economics and politics that may need to be reviewed so as to improve the economy as economics affect the peace of a nation.

The document may also be used as a secondary source of information in the academic world, mainly by students in the faculties of commerce and politics thus the document seeks to establish itself as a very useful tool in academic discourse by enhancing knowledge of the area covered by it.

### **1.11 Limitations**

Simon (2011) defines limitations as potential weakness in one's area of study. The potential weaknesses in this study can be that the results of this research can prove difficult to generalize when it comes to assessing the relationship being looked at by this research. This is due to the fact that it only dwelt on Zimbabwe as its case study that the insights gained from this research might differ if the same research is carried out using another different case study.

## **1.12 Delimitations.**

Leesly and Ormrod (2010) defined delimitations as those characteristics that limit the scope and define the boundaries of a study. Considering this definition, the delimitations of this research thus becomes the place and time. This study limited itself only to Zimbabwe as the place used to assess the relationship between the two variables. Another delimitation is that of time, the research set out a timeframe thought to be helpful in examining the topic thus it only started to assess this relationship from 1980 up to 2008.

## **1.13 Methodology.**

### **1.13.1 Research Approach.**

The main objective of this research is to investigate how democracy and economic growth relate, Zimbabwe being the case-study in helping out to assess this relationship. Research questions of this study comprise, that of, whether does democracy promote or hinder economic growth, democracy relevance to economic growth and the effects of high or low economic growth on democracy. Thus from the onset what this just shows is that this study is exploratory in nature. An exploratory research is that kind of inquiry where the goals of the research are: to scope out the magnitude of a particular phenomenon and to generate some initial ideas about the phenomenon. This very study is therefore going to explore the phenomenon of democracy and economic growth through certain methodological ways which strive to elaborate well the relationship.

### **1.13.2 Research Design.**

It is a comprehensive plan for data-collection in an empirical research project. Burns and Grove (2003) further asserts that it is a blue-print for empirical research aimed at answering

specific research questions and must specify at least three processes, that is, data-collection; secondly instrumentation and lastly sampling process. Breaking down these processes reveals that with data collection one's main task here is to gather data and this data comes in two forms which might be categorized into two classes – primary and secondary. In addition to what has already been said regarding data-collection, the type of data gathered also differs in the sense that some of this information will be qualitative and the other one will be in quantitative form and on this matter of type of data this study will employ mixed-methods on the type of data gathered.

### **1.13.3 Data-Collection.**

As highlighted before, data comes in two forms – primary and secondary – therefore in coming up with information pertaining the study being carried out one has to make a decision on which form s/he going to employ to amass data. Primary data can be defined as information that one acquires from first hand sources in form of observations, carrying out interviews and through questionnaires. Secondary data comprises information that is readily already available. So in regard this study, the researcher is going to use secondary data only meaning it is going to bypass the usage of primary data. This is due to reason of the difficultness of gathering up primary data which really satisfies the requirements of the study within the time spell the researcher has and also that the characteristic of this study makes one to be more inclined to the usage of secondary data only.

### **1.13.4 Secondary Data.**

Secondary data may be referred to as data that has been collected by someone else and has been interpreted and recorded. Secondary data comprises of books, journals, research papers,

newspaper articles, government and private companies reports, internet and so on, of which this very study has relied to some of these kind of materials. Using this kind of data has its own advantages:

*Advantages.*

- Is cheaper and faster to access.
- Provides a way to access the works of other scholars.
- Gives a frame of mind to the researcher, that in which direction s/he should go.
- Saves time and adds to the value of the research study.
- Allows one to do a longitudinal study

#### **1.13.5 Data Analysis.**

Marshall and Rossman (1999) describes data analysis as a process of bringing order, structure and meaning to the mass collected data. As stressed earlier on in the elementary stage of this chapter, when the researcher was looking of the aspect of research design, data comes in two forms that is qualitative and quantitative. This distinction that exist in the nature of data collected has its own implications when it comes to data analysis in the sense that this calls for a kind of data analysis which is suitable to the type of data collected thus one will have to employ both qualitative analysis and quantitative analysis. Qualitative analysis is based on data expressed mostly in the forms words – descriptions, accounts, opinions and feelings – rather than words. Quantitative analysis deals with data in the form of numbers and use mathematical operations to investigate their properties.

#### **1.14 Conclusion.**

Chapter 1 gave a brief introduction to this research. The brief introduction expounded why they was an interest on the part of the researcher in pursuing this kind of study. Definition of

terms within the research topic were also explicitly defined so as to avoid any misunderstandings and remove any aspects of confusion. Within the chapter there is also the theoretical framework which is going to serve as the guiding principle in this research. Views of other scholars who have made an effort to research along the same line of this very topic were also given attention to. Research objectives and the methodology used were also other elements highlighted out within this first chapter.

### **1.15 Structure of the Study.**

This study sums up to four chapters, which are as follows:

#### **Chapter 1**

Chapter one will cover the introductory of the chapter and give a summary of what is going to be in the research broadly. It consists the introduction, background of the problem, conceptual framework, theoretical framework, research objectives and questions, justifications of the study, literature review, methodology used, delimitations and limitations of the study.

#### **Chapter 2**

Chapter 2 consists of the themes in this research so as to assist the readers in understanding the aspects being looked on by this research. In this chapter the research conceptualized the two variables key to this study, that is, democracy and economic growth bringing out every element within these themes and also outlining how of relevance they are to this study.

### **Chapter 3**

Chapter 3 focuses on the presentation and analysis of data obtained by the researcher. There are going to be discussions of the results.

### **Chapter 4**

This is the last chapter of the study and will give a summary of the study, recommendations and conclusion. The researcher will offer recommendation to the policymakers in government and also the private sector.

## **CHAPTER TWO: DEMOCRACY AND ECONOMIC GROWTH**

### **2.1 Introduction.**

This chapter is devoted in outlining the key themes that are there in this topic, explicitly conceptualizing each of the theme. Significant effort on the part of the researcher will be made to really bring out every element encompassed within these themes so that by the time of analysing them together comes one will be in a better position of understanding the nature of the question at hand.

### **2.2 Democracy.**

#### **2.2.1 Political Regimes.**

Political regimes are forms of government or they might be viewed in light of how the political setup of a state is structured. Political regimes take a number of different varieties

around the globe. The common forms of political regimes are democracy, dictatorships and monarchs. Below are the definitions of these regimes and a brief descriptions of their characteristics.

*Dictatorship* – is a system in which a single person or a small group of people run the political system and very little input from outside that central group is admitted thus there is only party rule in dictatorial nations usually. To be considered a dictatorship it means that a nation is known to be run by a single person without a checks and balances on his power. Dictators make unilateral decisions that affect their countries without having to consult other branches of government, this is so because there is no branch that is not controlled by the dictator. Also in most countries run by dictators, there is less-freedom which in turn mean that citizens do not have much rights to do what they wish.

*Monarchy* – is a kind of system in which the ultimate authority to govern a nation lies in the hands of a king who rule by divine right. The divine right is the claim that a king is given his power by some higher power and because his authority is derived from a god, it means that his power is unconditional. The king does not share his power with another governing body. Such kind of a monarch is known as an absolute monarchy however these days with pressures coming from the international arena and domestic other monarchs have reformed to become constitutional monarchs. Constitutional monarchs are those monarchs in which there is also a body which represents the people and the king is guided by the constitution in making decisions.

However of much significance to this study is *democracy*. These other types of governments have just been mentioned to show the other political systems which form the group of political regimes, from which democracy also comes from and highlight how they differ from democracy. According to Abraham Lincoln democracy is the government of the people, by

the people and for the people, (Schmidt 2002). Having done this, the study will now dwell much on democracy, outlining elements within it, that is types of democracies and its characteristics.

### **2.2.2 Types of Democracy.**

Democracy can be divided into two basic categories: direct and representative democracies.

*Direct.* - In a direct democracy, citizens by directly participating influences the decision making without the involvement of intermediary of elected officials. In a direct democracy, power lies in the hands of the individual thereby overshadowing any involvement of intermediaries. According to Saylor Org (2005) each person is treated as an equal and each person is given a chance to influence the policymaking process. Implementation of this system is hard however in real practice. The system is much applicable when dealing with small numbers of people such as in a community, local unit of labour unions, tribal councils where most people know each other and issues under debate directly affect them. An increase in the size of the electorate then this kind of arrangement becomes unwieldy.

*Representative.* – Contrary to direct democracies, representative ones establish an intermediary actor between individual and the policy outputs of the state. Representative democracy try to remedy the problem of direct democracy, that of it being impracticable when dealing with relatively large numbers of people. One person is elected to undertake decision which affect the lives of the represented electorate through the electoral process. These elected individuals then form up the body of representatives known as the House of Representatives or the Legislature. This has its own advantages in the sense that the body has the capacity to take good proportionate decisions which benefit the nation as a whole.

### **2.2.3 Characteristics of Democracies.**



According to Raveloson (2008) democracy is more than just a set of government institutions. Democracies rest firmly upon certain fundamental principles which gives it an identity. In the absence of these principles a nation cannot identify itself as democratic. These principles constitute rule of law, respect for political rights, democratic elections, free and independent media, constitutionalism and a pluralist system of political parties and organisations. However this study is just going to highlight only a few of these, the logic behind their selection being that of their pertinence to the problem of this study.

**a) Respect for Political Rights.**

Democracies are founded on the basis that the government exist to serve the people. Democracies regard people as its citizens and because they are citizens, they have rights which the state protects. In return for the state's respect for their rights, citizens offer their loyalty to it. Thus in democracies, citizens of the state have fundamental rights. According to Clark (2007) these fundamental rights include freedom of speech and expression, of assembly and the right to equal protection before the law. Furthermore he stipulates that these rights cannot be legislated away nor should they be subjected to the whim of an electoral majority.

*Freedom of Speech.* – The ability of democracies to guarantee freedom of speech and expression is its lifeblood. There is no room for repression in democracies. The content of written and verbal speech in democratic states is not in any way under the control of the government, people are free to express themselves. Another aspect under this heading is also that of provision of uncensored data to the public. The government should not in any way try to conceal information which affect the public and publish only that which serve its interest. This is valuable in ensuring that citizens are able to participate in public life, criticizing any unwise or oppressive policies. Thus to Clark (2007) this makes democracies to be very noisy.

*Freedom of Assembly.* – This is one important testing stick for democracy in a democratic nation disregard of its political, socio-economic and environmental status. Scholarly arguments holds that the freedom to association is the degree in which an individual or groups associates creates a purpose of common interest protection. In such a way these interests may be economic, social or political among others. This form of freedom Hofverberg (2014) notes that it implies the exercise of choice and does away with individuals from being coerced to involve with groups whom one does not agree with in socio-political and economic fields. However it must be noted that in a scenario whereby one has to apply for permission to assemble does not resemble the essence of right. According to Papademetriou (2014) states may impose certain limitations on exercises of such freedom that is when prescribed by law, necessary in a democratic society, in the interest of national security or public safety and protection of the rights and freedoms of others.

**b) Rule of Law.**

Democracies rest on the principle of the rule of law. Rule of law means that no individual, whether president, government official or private citizen stands above the law. This is totally different from other systems of governments such as dictatorship in which matters are decided upon the will of the dictator. Democratic governments practice authority through the application of the law and are subjected to its restrictions. Clark (2007) asserts that citizens living in democracies are willing to obey the laws of their society because they are submitting to their own rules and regulations. Cases of human abuses through the manipulation of law by the ones administering justice have been witnessed in almost every society. In the name of the state individuals have been imprisoned, have been tortured and executed without legal justification and without formal charges ever being brought (Clark 2007). That is very unacceptable in a democratic society. Law offenders must be punished but this should be

done through formal procedures and in a transparent way, not being secretive in which political manipulation might influence judgements. Furthermore, the law must be applied the same to all.

### **c) Elections.**

Another characteristics of much importance to democracy is that of fair and free elections. The manner in which elections in a democratic state must be without any prejudice. This is essential in obtaining the consent of the governed. Thus elections are the principal mechanism of translating that consent into government authority.

#### **2.2.4 Elements of Elections.**

According to Kirkpatrick (2012) “democratic elections are not merely symbolic... They are competitive, inclusive, periodic elections in which the chief decision makers in government are selected by citizens who enjoy broad freedom to criticize government, to publish their criticism and to present alternatives.”

*Competitive* - democracy allows for the existence of numerous political parties which compete with each other in an effort to acquire the consent of the ones who are to be governed. Thus elections in democratic states are highly competitive. In this regard of competition for electoral votes, opposition parties should be guaranteed the freedom to exercise their fundamental rights such as freedom of speech and expression and also of assembly so as for them to be able to share with the citizens of what better they can offer than what is already being provided by the current government in place.

*Periodic* - elected officials in democratic states enjoy the privilege of being in office only for a certain period meaning that elections set a timeline for those elected representatives to be in office. The democratic system do not allow presidents for life. After the end of each election

interval those elected must come back and seek again the peoples mandate to be re-elected if they wish to continue being in office after their terms come to an end. There is also clause of the number of terms one can be elected.

*Inclusiveness* - The National Democratic Institution (NDI) (2008) posits that elections should be as inclusive as possible, for voters and contestants alike. They should not try to be exclusive of any group in any way whatsoever, be it females or children. They should try to cover a wide range of the population. Every adult citizen should have a right to vote. The NDI (2008) further asserts that democracy is more likely to develop and endure when all segments are free to participate and influence political outcomes without suffering any bias or reprisal.

*Transparency* - the presence of elections alone is not sufficient for a country to be considered democratic, democratic elections must be transparent. According to Kaplan (2006) transparency is a term for a clear and open processes. Each step in a transparent election is therefore open to scrutiny by stakeholders (political parties, election observers and voters alike) who are able to independently verify the process. In this way the evils associated with elections such as improprieties and fraud cases of electoral processes are eliminated. The effect this has in turn is that it enhances public trust in the system leading to an improved rate in terms of participation.

## **2.3 Economic Growth.**

### **2.3.1 Sources of Economic Growth.**

According to Sloman and Wride (2009), the sources of economic growth can be grouped into two categories, that is, an increase in the *quantity of factors* and an increase in the *productivity of factors*. Associated with the former is an increase in physical capital, raw

materials, the workforce and the number of hours worked. The latter deals with increase in the skills of workers, more efficient inputs by management and more productive equipment. Of much importance here is technological progress. Brought together they form the prerequisites necessary to be present in any economy which desire to experience economic growth.

### **2.3.2 Capital Accumulation. (Physical)**

Many economists regard increase of physical capital as the most important source of economic growth. An economy with vast amounts of physical capital definitely has the capacity to produce more goods. Reasons for this can be found out in Sloman and Wride (2009) argument, he notes out that with more equipment that is used by people, the more they are likely to produce more. Similarly Mankiw (2005) argue that more tools allow work to be done more quickly and more accurately. Mankiw (2005) elaborates this with an example of factory workers, a worker with only basic handle tools can make less furniture each week than a worker with sophisticated and specialized woodworking equipment. However one has to point it out that capital accumulation is affected by the rate of investment. To increase capital requires investment and that investment requires resources – resources that could have been used for producing consumer goods, (Sloman and Wride 2009). The challenge with this is that you have to make a trade-off. Resources will have to be diverted away from producing finished goods into producing buildings, machines and other capital equipment. This is the opportunity cost of investment.

### **2.3.3 Investment and Saving in relation to Capital Accumulation.**

Mankiw (2005) advances the notion which asserts that because capital is a produced factor of production, a society can change the amount of capital it has. If an economy can generate large amounts of new capital today it then means tomorrow that economy will have an

increased stock of capital thereby making it eligible to generate more products. For this to become a reality an economy will thus have to invest those resources it has with the aim of enhancing its production of capital. However investment demands savings. In respect to this, one has to remember that the central problem of economics is of scarcity. Resources in most instances are usually very inadequate thus Mankiw (2005) points out that because resources are scarce, devoting more resource to producing capital requires devoting fewer resources to producing goods and resources for current consumption. For society to invest more in capital, it must consume less and save more of its current outcome. Beardshaw (2001) argues that increasing the rate of investment reduces consumption of goods and services initially as resources are diverted to the investment industry. For Sloman and Wride (2009) today's sacrifices in terms of more savings and less consumption will mean more output and hence possibly more consumption for the future.

#### **2.3.4 Economic Growth Model.**

If less attention is given to the problem of physical capital becoming obsolete thereby necessitating the need of replacing it means that the reservoir of capital will multiply by the measure of investment  $\Delta k = i$ . The question however is that to what extent will investment lift up output? According to Sloman and Wride (2009) this depends on the productivity of this new capital: on the marginal efficiency of capital. He thus defines MEC as the annual extra income ( $\Delta Y$ ) yielded by an increase in the capital stock, relative to the cost of that extra capital ( $\Delta K$ )

$$\text{MEC} = \frac{\Delta Y}{\Delta K} = \frac{\Delta Y}{I}$$

The basis of economic growth thus hinges on the fraction (i) of national income devoted to new investment. The potential of growth rate will be higher if this rate of new investment is also higher. The nexus between the rate of investment and potential growth rate thus can be illustrated through the equation below.

$$g_p = i \times MEC$$

However one needs to factor in two qualifications here to this economic growth model. The first qualification is that there is likelihood of decline in MEC with the augmentation of capital per worker. One reason for this is the aspect of diminishing returns to capital. The problem of diminishing returns will be expounded in brief just after this model so as to shed some light on what it is. The second qualification is because of obsolete equipment, part of the investment will thus be channelled towards its replacement. The problem here is that, the larger the capital stock, the greater the proportion of investment that will be needed for replacement purposes, and the smaller the proportion that can be used for increasing the size of the capital stock.

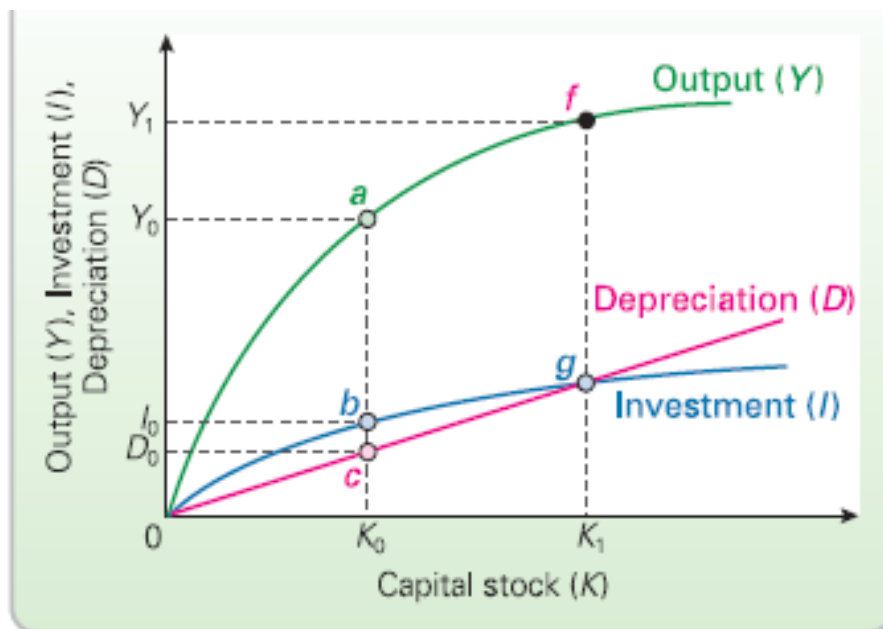
### **2.3.5 The Problem of Diminishing Returns.**

If other factors of production remain constant and only one factor increases it means that the result will be diminished returns. Diminishing returns will be encountered if, for example, there is an increase in capital only whilst all other factors of production remain fixed. The rate of capital will fall. Sloman and Wride (2009) contend that unless all factors of production increase, the rate of growth is likely to slow down. It is insufficient that there is an increase in capital and labour if there is a limited supply of supply of land and raw materials. An increase in the *productivity* of resources is thus the answer to this problem. This will be looked at later on.

### 2.3.6 Solow Growth Model.

The study is now going to turn on to the Solow growth model in attempt to disclose the relationship which exist between capital stock and investment through the aid of a diagram. This model makes an assumption that the size of the workforce is constant meaning to say any increase in the capital stock therefore means an increase in the average amount of capital per worker.

Fig. 2.1 Steady-State Output.



Source: Sloman and Wride (2009)

On the horizontal line lies the output and on the vertical axis there is the capital stock. The two variables have an effect on each other. The green curve on the diagram depicts the relationship of the two. There is an upward shift in the curve reflecting higher output as the capital stock increases. The blue curve is representing investment. Increased output gives us the opportunity to save more in turn allowing for increased investments and to get our rate of



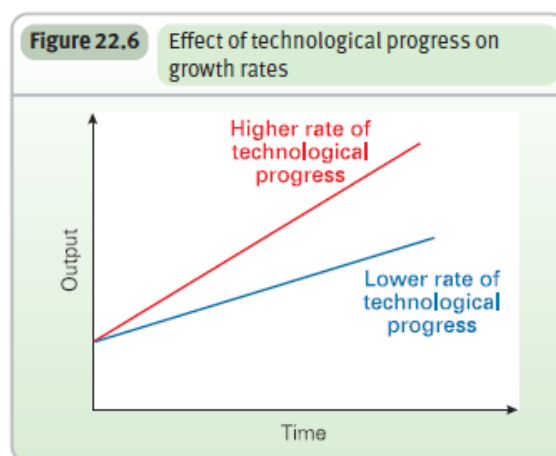
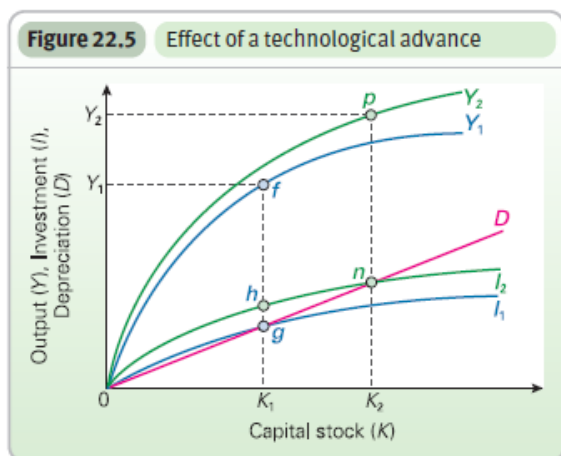
consumption one will thus have to differentiate output from investment (Y-I) thus the distance between the two curves mirror this. The depreciation of capital, this necessitates investment and also determine the volume of it, is shown by the magenta (D) line. Much investment for replacement is needed if capital stock is relatively large. With an estimation of the capital stock being at  $K_0$ , the output generated will be at  $Y_0$  from which our savings and investments comes from  $I_0$  however one needs not to be forgetful of the depreciation of capital stock thus of the investments generated part of it will have to be channelled towards replacement hence  $D_0$ , of which that amount got from the difference (b-c) will go towards the augmentation of capital stock meaning a move from  $K_0$  towards  $K_1$ .

## **2.4 Growth Due To Technological Progress.**

From the above discussion on the sources of economic growth, the study has worthwhile looked at factors which invoke economic growth but are completely detached from technological means in doing so. Therefore now, the study is going to factor in technological effects with the intent of assessing their impact on economic growth. Technological advancement helps in enhancing output from a given amount of investment. In other words, what this means is that technological progress increases capital productivity. Developments in technology, for instance new techniques in engineering, helps us to produce much more as compared to previous techniques that cost the same to produce. Below is an analysis of the effects which technological progress has in consideration of the previous examination of the relationship between capital stock and investment where the effects of technological advancements were yet to play any role.

### **2.4.1 Effects of Technological Progress on Output.**

*Fig: 2.2*



Source: Sloman and Wride (2009)

Advancement in terms of technology inspire an increase in output from a given sum of investment. Figure 2.2 highlights this. In this diagram  $Y_1$  and  $I_1$  curves represent investment and income and at point  $f$  that is where we have our steady-state income. Technological progress influences an upward shift of  $Y_1$  curve to  $Y_2$  meaning to say the achievement of higher income curve will result in the investment curve shifting up as demonstrated by  $I_2$  curve. The new long-term equilibrium capital is thus  $K_2$  and the new steady-state level of income is  $Y_2$ .

However what is also vital regarding technological progress is the rate of that technological advancement. Sloman and Wride (2009) argues that if there is a ‘one-off’ technological advancement then effect is the one that has just been illustrated above, income rises to higher level but does not go on rising once the new steady-state level has been reached. With time however headways are made in terms of technological updates meaning to say latest inventions, processes are achieved plus there is also that addition of old ones being improved. The effect of faster rates of technological development makes the  $Y$  curve to shift upwards faster also in turn giving us a higher rate of economic growth. This is pictured in Figure 2.2

#### 2.4.2 Endogenous Growth Theory.

From the above discussion, it is apparent that technological progress amplification is vital for any nation desiring to accomplish faster growth rate in the long term. This what the Solow model assume thus in the process of this assumption it implies to say that technological progress is determined exogeneously. Nevertheless a question which might be asked is that of: can governments do anything for instance such as it adopting policies that stimulate scientific breakthroughs and technological developments? Cannot it prompt innovations? Many economist argue that the rate of of technological progress can be increased if resources are devoted to research and development and to education and training, (Sloman and Wride 2009). The endogenous growth theory thus asserts that the rate of of invention and technological development hinge on economic institutions, incentives and the role of the government. Inother words this implies that appropriate policies have the capability to proliferate the rate of technological progress in turn instigating a rise in the rate of economic growth.

### **2.4.3 The Endogenous Technological Progress Model.**

Endogenous growth model posits two things. Foremost to its argument is that economic factors like rate of investment in research and development bear a lot to technology progression. To make it easier to grasp, the above aspect can be included as an element in investment (I) term where:  $I = I_n + I_c$ .

Thus  $I_n$  represents development of new technology and investment in research and investment in capital that uses technology is identified through  $I_c$ .

Another element in its argument is the responsiveness of Y to  $I_n$ . According to the model, the greater the value of  $\Delta Y/I_n$ , the greater will be the rate of economic growth.

### **2.5 Other Factors Necessary For Economic Growth.**

### **2.5.1 Human Capital/Labour**

According to Sloman and Wride (2009), human capital refers to expertise of that have been acquired through education, training and experience. Human capital and physical capital are two different elements, the two being distinguishable in that human capital unlike physical capital is less tangible. Though less tangible, it also play a role in a nation's ability to grow economically. The effect of an increase in much skilled and educated population is that it raises the potential output this is because of the knowhow of doing things unlike unskilled workers. Beardshaw asserts that the wealth of a nation lies in the skill of its population.

### **2.5.2 Natural Resources.**

Natural resources are inputs production that are produced by nature such as land, rivers and mineral resources, (Mankiw 2005). Natural resources are of two kinds thus we have renewable resources and non-renewable ones. Timber serves as an example of a renewable resource and gold is an example of a resource which is not renewable. However natural resources must be said that they only play a less-significant part in enhancing a country's economic growth and this is due to the fact that some of them diminish and some are in fixed states that they cannot be expanded.

### **2.6 Conclusion.**

This chapter outlined the key themes within this topic, which the reseacher find out to be democracy and economic growth. Efforts were made to bring out elements within these very two critical themes within this research and explain them also of their relevance to this very study, how they were going to help out in the analysis of the relationship which the research is examining.

**CHAPTER THREE: THE IMPACT THE TWO VARIABLES HAVE ON EACH OTHER. (DEMOCRACY AND ECONOMIC GROWTH)**

**3.1 Introduction.**

The important act in this chapter is to accentuate the effects that each variable has on the other in this relationship through a thorough analysis. A start off point will be to operationalize democracy. After carrying out the task of operationalizing democracy this study then goes on to collate it with economic growth to assess any causality the two has on each other. The results will be analysed periodically in which the period of this research will be broken down into different phases. The research will look at the contributions of capital, productivity, labour on economic growth and also other factors which played a role either in advancing economic growth or in retarding it.

### **3.2 Measuring Democracy.**

This passage is going to focus on democracy measurement. Democracy is a concept which is difficult to operationalize. They is always the question of how democracy can be transformed into a testable hypothesis. In an effort to address this, the research is going to employ Polity IV as its principal measure of democracy. It is a resource which helps to monitor changes and the effects of a regime authority. In this system the unit of analysis is the polity. The Webster New World Dictionary defines a polity as a political or governmental organisation, society or institution with an organized government, state or body politic. Gurr and Eckstein (1975) defined “polities” as subsets of the class of ‘authority patterns.’ Authority patterns are defined as ‘a set of asymmetric relations among hierarchically ordered members of a social unit that involves the direction of the unit.....The direction of a social unit involves the definition of its goals, the regulation of conduct of its members and the allocation and coordination of roles within it. Polity IV is constructed by measuring the extent to which democracy or autocratic “authority patterns” are institutionalized in a given country. It takes into account how the executive is selected, the degree of checks on executive power and the form of political competition.

Polity IV includes constructed annual measures for both institutionalized democracy (DEMOC) and autocracy (AUTO) as many polities exhibit mixed qualities of both of these distinct authority patterns. The measures are composite indices derived from coded values of authority characteristics component variables. The DEMOC and AUTO operational indicator coding's are competitiveness of executive recruitment (XRCOMP), the openness and competitiveness of executive recruitment (XROPEN), constraints on the chief executive (XCONST), competitiveness of political participation (PARCOMP), and regulation of participation (PARREG). Both uses an additive eleven-point scale (0-10), see below. A third indicator Polity is derived simply by subtracting the AUTO value from the DEMOC value, this procedure provides a single regime score that ranges from +10 (full democracy) to -10 (full autocracy). Thus this is going help in checking the nature of Zimbabwe's democracy and wherever they were changes did they had an impact also on economic growth or vice-versa in the sense that did the economic performance had a causality in changes of level of authority pattern. A Polity score is going tell the level of Zimbabwe's democracy thereby helping the researcher to assess it against its economic performance.

### **DEMOC Indicator Coding's.**

<b>Authority Coding</b>	<b>Scale Weight</b>
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Competitiveness of Executive Recruitment (XRCOMP):

<i>(3) Election</i>	+2
<i>(2) Transitional</i>	+1

Openness of Executive Recruitment (XROPEN):

only if XRCOMP is Election (3) or Transitional (2)

<i>(3) Dual/election</i>	+1
<i>(4) Election</i>	+1
Constraint on Chief Executive (XCONST):	
<i>(7) Executive parity or subordination</i>	+4
<i>(6) Intermediate category</i>	+3
<i>(5) Substantial limitations</i>	+2
<i>(4) Intermediate category</i>	+1
Competitiveness of Political Participation (PARCOMP):	
<i>(5) Competitive</i>	+3
<i>(4) Transitional</i>	+2
<i>(3) Factional</i>	+1

### **AUTOC Indicator Coding's.**

<b>Authority Coding</b>	<b>Scale Weight</b>
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Competitiveness of Executive Recruitment (XRCOMP):

<i>(1) Selection</i>	+2
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Openness of Executive Recruitment (XROPEN):

only if XRCOMP is coded Selection (1)

<i>(1) Closed</i>	+1
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<i>(2) Dual/designation</i>	+1
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Constraints on Chief Executive (XCONST):

<i>(1) Unlimited authority</i>	+3
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<i>(2) Intermediate category</i>	+2
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<i>(3) Slight to moderate limitations</i>	+1
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Regulation of participation (PARREG):



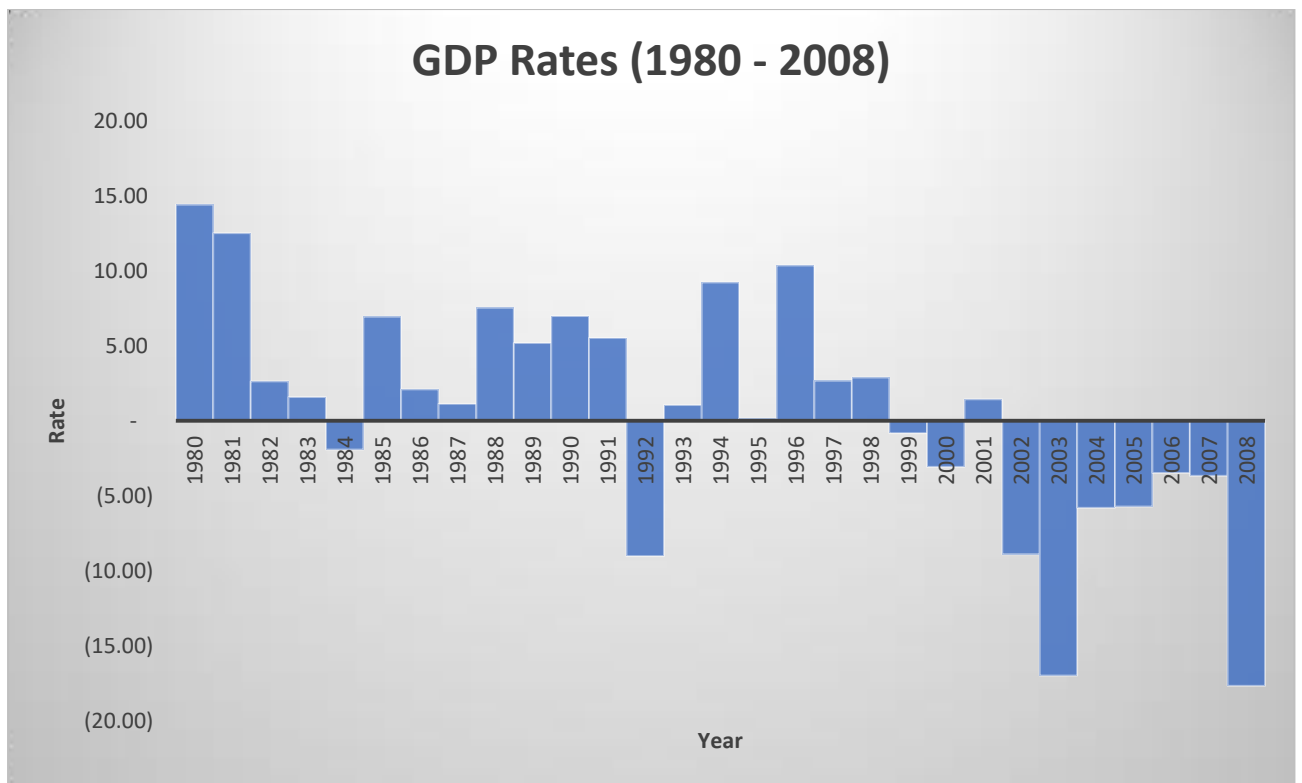
<i>(4) Restricted</i>	+2
<i>(3) Sectarian</i>	+1
Competitiveness of Participation (PARCOMP):	
<i>(1) Repressed</i>	+2
<i>(2) Suppressed</i>	+1

### **3.3 Analysis of Democracy and Economic Growth Relationship**

Firstly an outline of Zimbabwe economic performance will be given. Below is a chart Fig 3.1 depicting Zimbabwe's GDP rates annually from the starting point year of the research up covering up all the years in-between up to the last point of the study that is from 1980 - 2008. One thing which is very notable without having said anything much is that the economy has had a mixed performance, performing better early on and then worsening afterwards. Thus the next sections in this chapter will be devoted in analysing what was the cause of this by looking at those sources of economic growth and any other exogenous factors, which are outside the confines of those that have a direct effect on economic growth, which might have had a hand in causing such outcomes. They will also look at the effect of political regime so as to assess if it had a direct or indirect effects on those source or exogenous factors. The analysis will be carried out periodically rather on annual basis, with only annual analysis being given on certain instances to bring on a much better clearer understanding.

#### **GDP Rates for Zimbabwe (1980 – 2008)**

Figure 3.1



Source: World Development Bank (WDB) - (2008)

### 3.3.1 Early Post Independence Era 1980-1989.

This period is the first decade after Zimbabwe got its independence and will thus serve as the starting point of analysis. According to the United Nations Development Programme (2008), (UNDP), after the attainment of independence, Zimbabwe's new government maintained the macroeconomic controls inherited from the UDI government thus the economy continued being a command economy rather than a market economy meaning the state was to play a central role in the country's economic development. In addition the new government also introduced redistributive objectives that necessitated a large public sector and increased government spending on social programmes. During this era Zimbabwe averaged a growth rate of 4.3% per annum, shown in Table 3.1 below, which made it any envy of the sub-Sahara during the so-called 'lost decade' for Africa. In terms of its democratic score the WDB

accorded it a +6 score highlighting the fact that in terms of democracy during this time it was highly regarded to be one.

**Table 3.1: Zimbabwe: Aggregate GDP Growth and Sources of Growth 1980 – 1990 (In %)**

	1980 – 1990
GDP Growth	4.3
<b>Sources of Economic Growth</b>	
Capital	0.4
Labour	4.2
TFP	1.4

Source: WEO and WDI (2006)

TFP\* - Total Factor Productivity (is a measure of technological progress)

Firstly looking at the factors which have a direct effect on economic growth, which in turn are the sources of economic growth, the main contributor was labour. The Zimbabwe Report (2012) asserts that growth during this period was achieved largely by adding labour to production. The redistributive objective by the government which necessitated a large public sector seems to have hand in the increment of labour as it increased by 4.2% which in turn was also beneficial to economic growth through increased production. Human capital is also classified within the brackets of labour, in which labour serves as a primary one of the primary factors of production. Thus indirectly the government had an effect on effect on economic growth as its increased spending helped to boost on labour. The downside of it was the high cost in terms of unsustainable high budgets deficits which the UNDP (2008) says that their harmful effects remained hidden behind a plethora of economic-wide controls.

Other sources of growth did little in contributing to economic growth. Capital accumulation was only 0.4%. As for TFP it only increased by 1.4% thus the other 2 sources only had little impact on the growth of the economy. Reasons to this may be found in an explanation that capital increase is a result of investment meaning to say capital is generated through investment. So low-levels of capital accumulation shows that they was little done by the government in terms of investment towards accrument of further capital. This is so because during this period the government expenditure was high making it impossible for there to have a trade-off of resources which is a requisite in the achievement of investment. The big advantage that capital has and which makes it the an important source of economic growth is that it enables production to be done more quickly and accurately to the effect that more goods are produced compared than having less capital.

TFP is also another factor which is fundamental in increasing the growth of a nations' economy. TFP boost output directly through the production function and also by increasing the steady-state capital stock. TFP enables output to rise even if the capital stock do not increase thus with TFP a country can produce more output from the same level of employment and capital. With no TFP the capital stock reaches its steady-state level and therefore ceases to grow. Economist argue that the rate of TFP can be increased if more resources are devoted to research, development and education thus its increase purely rest on government policies. In this case of our research, reasons as to why there was little increase in TFP may be found in the explanation they were no appropriate policies which were enacted to proliferate the rate of TFP. Government policies during to a certain extent focused on education but they did came short in terms of investing in researches from which innovations do come from and developments adequately needed to boost on TFP.

In analysing Zimbabwe economic performance during this period, this research also looked at other factors which might have had a considerable effect on the economic growth but falling outside the boundaries of its sources. The factors are usually called exogenous factors. In this case of Zimbabwe the exogenous factors were the uplift of economic sanctions previously imposed on the UDI government and good rainfall seasons. The uplifting of economic sanctions opened the external markets for Zimbabwe that it was now in a position to export its goods hence gaining some revenue from those exports which would help on in the betterment of its industries. External markets were also another channel to bring in foreign currency which would ease trade. What made it possible to attain some level of trading with other nations might be traced back to the aspect of politics, the fact that the country had managed to transit from an autocracy to a democracy was the major factor in making this possible.

Regarding rainfall Zimbabwe had 2 good rainfall seasons soon after independence of which might account for those high rates of GDP in 1980 and 1981 respectively. Good rainfall seasons helped Zimbabwe in producing more agricultural output some of which were exported in turn boosting government coffers. However droughts which soon followed in 1982/83 and 1984/85 season had a reverse effect as they made Zimbabwe exports demand to fall in the world market thereby effecting its GDP to fall.

### **3.3.2 Economic Liberalization Period 1991-1999.**

One might say that Zimbabwe's economy during the 80's period was characterized by 'boom and bust' pattern thus with the inception of the 90's era new ideas to tackle economic problems of the previous decade were necessary. Solutions to these problems came in the form of intervention programmes which were Economic Structural Adjustment Programme (ESAP) (1991-1995) and Zimbabwe Programme for Economic and Structural Transformation

(ZIMPREST) (1996-2000) which Zimbabwe adopted. The key elements of ESAP were conducting a shift from import substitution and command economy to an open market economy fostering export driven growth. Another one was commercialization of public enterprise in order to facilitate autonomy in business making issues. ZIMPREST sought to continue to address unfinished business of ESAP. This included facilitating public sector and public enterprise reforms and financial liberalization. It also sought to address broader social problems. Thus this study will analyse the performance of Zimbabwe's in remembrance of these programmes which were crafted to stimulate economic growth.

However one also needs to make a comment on the level of Zimbabwe's democracy during this period. According to the WDB from a +6 democracy score using the Polity IV political authority measurement its score range declined to a +3, of which an explanation as to how this happened could be found within the context of Gukurahundi debacle which took place in the late 80s. This event eroded the level of Zimbabwe's democracy in that it highlighted little constraints on the powers of the executive and also reduced the competitiveness of political participation. As to the question of whether this did have an impact on the economic performance of the nation, more information will be revealed in the analysis as to how the economic growth shaped out during this decade.

**Table 3.2: Zimbabwe: Aggregate GDP Growth and Sources of Growth 1991 - 2000 (In %)**

	<b>1991 - 2000</b>
GDP Growth	0.9
<b>Sources of Economic Growth</b>	
Capital	1.5
Labour	2.4
TFP	-1.1

Source: Zimbabwe Report (2012)

In the period of 90's things did not get better for Zimbabwe economy as the numbers can prove it, in fact Zimbabwe's GDP growth fell markedly. Of the sources responsible to have direct impact on economic only capital increased while others did not improve. Zimbabwe Report (2012) contents that small capital's contribution to growth in the 1990's was most likely the result of policy reforms mentioned a short-while ago which were aimed increasing private investment. The most striking result during this period is the estimated size of TFP and its relative contribution to Zimbabwe's economic growth fell also after 1990. Thus prior to 2000 expansion of the capital stock and labour were the main sources of output growth in Zimbabwe.

As mentioned earlier in the discussion, though it was not like in the beginning when it had a relative high democratic score rating, the political government by this time had managed to sought its domestic political problems thus it managed to maintain its relative score of democracy but which was not that high as before thus making it eligible to be identified as a democracy. Thus linking this with the economic narrative above this study makes an

explanation of that by being a democratic nation it made it possible for Zimbabwe to embrace the notion of open-market economy forwarded by the International Monetary Fund in. Open-market economies in most instances are found within democracies and command economies in most cases go line in line with autocracies.

Other factors were also influential during this decade in determining how the growth was penning out. While the economy started well enough after the introduction of reforms, it was serious hampered by drought in 1992 which made it to achieve a negative growth of 9.2%, with the agriculture sector serving as one of the main pillars of the economy any negative effect on it would have surely derail economic growth however the economy recovered in the next 2 years until again it recorded low growth rate in 1995 due to another drought in 1994/1995. Surprisingly it achieved its highest growth rate of the decade in 1996 before falling in 1997. The year 1997 is of much essential in the history of Zimbabwe's economic performance, it is during this year that Zimbabwe economic problems has its roots in. Giving in to the pressures of those so-called pressure groups who in this case were the War Veterans the Zimbabwe made available funds to them which were budgeted for in the budget leading to the crash of the Zimbabwe dollar.

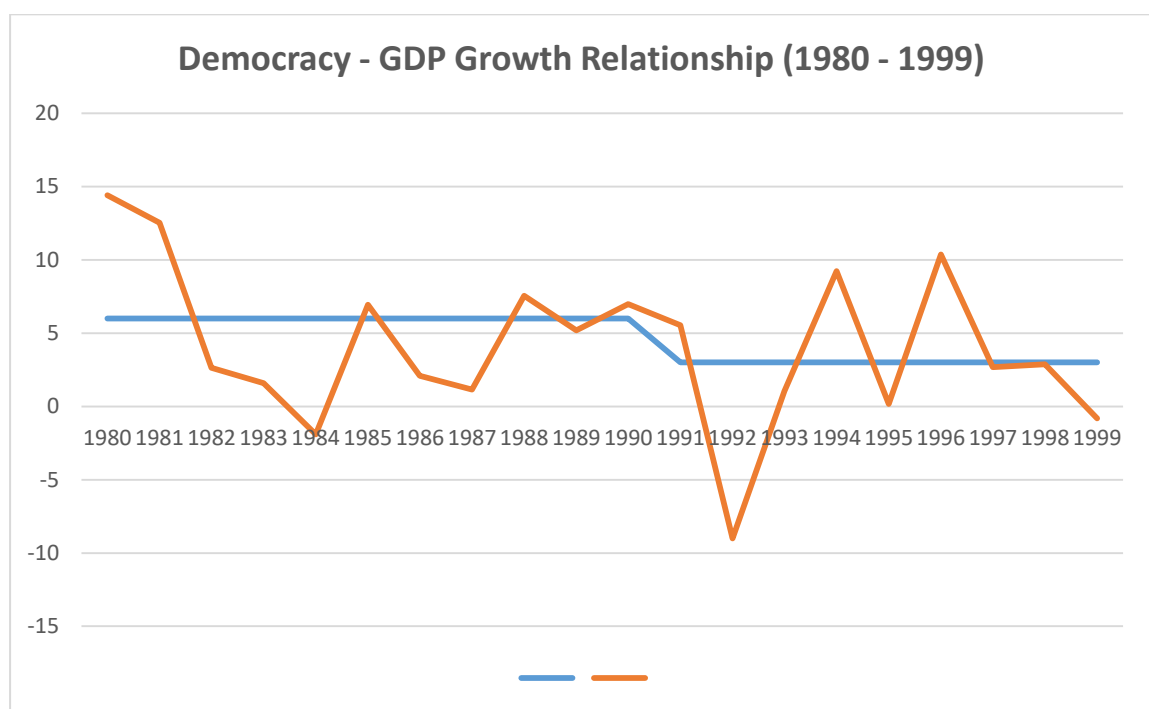
Fig 3.2 below depicts the relationship between economic growth and democracy during the first two decades after Zimbabwe attained its independence. The blue line is representing the democratic rating movement and the other line is standing for economic growth showing its movement each year during the decade. What is helpful of the diagram is that it assist one in assessing the relationship of the two variables by making a follow-up as to how the two variables went along with each other as the years progressed thereby enabling one to make some remarks on issues pertaining this discussion. In regards to the diagram what one might note out is that is that in its early years just after gaining its independence Zimbabwe enjoyed



a high level score of democracy and then in the next decade its democratic score declined this is due to the reasons mentioned earlier on. As to what extent could this reflect an effect between the two, one is more inclined to say that major shifts were much notable on those years which the exogenous factors did really impact economic growth. However during those years in which economic growth was left down purely to its sources, rather than having an exogenous factors playing a part, we notice that the two slightly affected each other with the political side having rather much significance on economic growth rather than the opposite thus the economic growth line was having an up and down shift pattern.

### Democracy - GDP Growth Relationship (1980 – 1999)

Figure 3.2



Source: Original

### 3.3.3 Crisis Period 2000 -2008.

**Table 3.3:Zimbabwe: Aggregate GDP Growth and Sources of Growth 2000 - 2007 (In %)**

	2000 – 2007
GDP Growth	-5.0
<b>Sources of Economic Growth.</b>	
Capital	0.4
Labour	2.3
TFP	-6.6

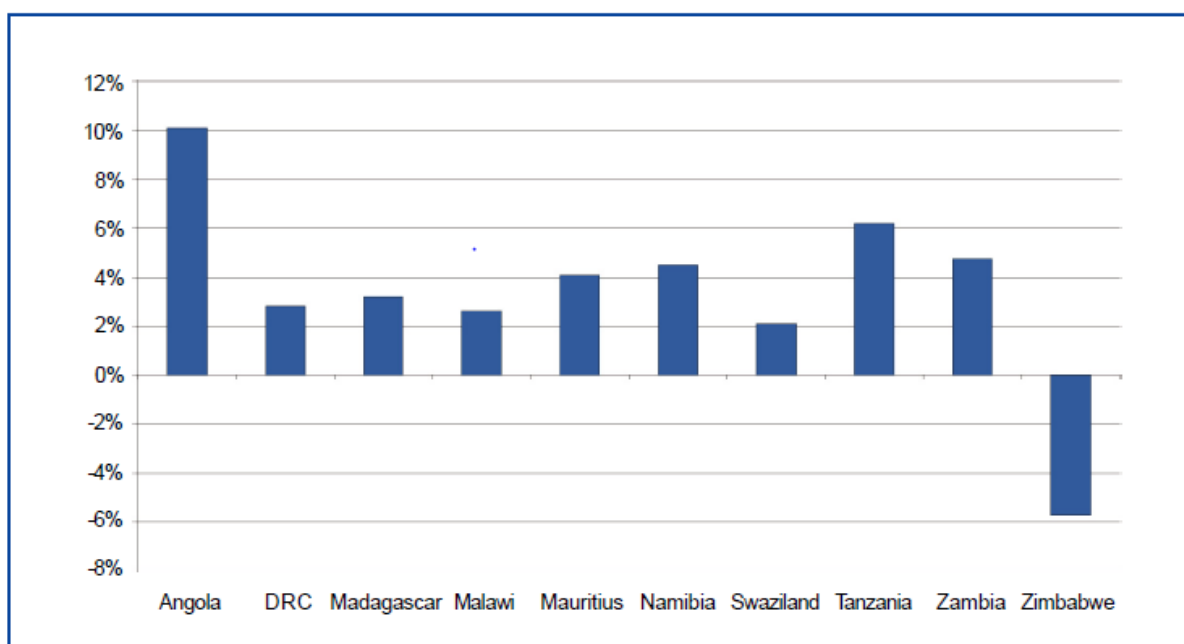
Source: Zimbabwe Report (2012)

With the commencement of another era, now moving from the 90's into 2000 things were now in precarious position. At this juncture with political situation unsettled, things did not get better for Zimbabwe - this can be seen in Table 3.3. Economic growth at the end of the previous decade was already starting showing signs that everything was not well and they was no hope that things could get better anytime sooner. With an economy not that really well performing, Zimbabwe political situation became unsettled thus unlike in the previous decades where the political situation did had an upper hand in affecting the relationship there was a turn-around and in this era the economic side affected Zimbabwe politics. The effect that the economic side was having was that it was putting much pressure on the government to reconsider some of its policies. In 2000 the economy registered a negative 3.6% growth though it slightly recovered the coming year in 2001 going at a positive 1.4% all other years during this decade registered a negative growth. Zimbabwe's economic decline occurred precisely the time that other African countries were beginning to achieve reasonable rates of

growth. Fig 3.3 compares Zimbabwe with a group of ten selected SADC countries with which Zimbabwe had earlier compared favourably in terms of GDP growth. It shows that Zimbabwe dropped to average negative growth for 2000 – 2006 compared to average positive growth of 4.8% during the same period. The crisis can be attributed largely to a combination of factors including economic mismanagement, poor governance mainly arising from weaknesses in the rule of law in the context of government fast-tracked land reform program, the concomitant loss of support from the international community and low investment. Sources of economic growth ceased to contribute meaningfully to the nation’s economic growth. With an underperforming economy, came dissatisfaction among the general public about the political authorities and in a bid to cling on to power the political authority that was in place, which was ZANU PF did decide to sacrifice some of the democratic values and efforts were made to suppress any form of opposition. Therefore from all of this Zimbabwe democratic score declined down to 0.

### Average GDP Growth Rates of Selected SADC Countries (2000 – 2006)

Figure 3.3



Source: African Development Bank (2008)

### **3.4 Conclusion.**

The chapter provided an analysis of the relationship of the 2 variables which was the core requirement of this research, as it was from that analysis that one was able to derive results which would answer the objectives set at the beginning of the study. The chapter provided an analysis of Zimbabwe's economic growth trajectory from 1980 – 2008. From the analysis one might conclude that there is a relationship between economic growth and democracy though it might not be of much significance but it revealed that political systems have in certain scenarios determine how an economy shape out and vice-versa economic growth also has an effect on the political system. This is so because political systems do have an effect on factors which influence economic growth.

## **CHAPTER FOUR: THE FUTURE OF DEMOCRACY AND ECONOMIC GROWTH IN ZIMBABWE.**

### **4.1 Introduction.**

This chapter wraps up the whole research. It forms up the summary of the study, in which it tries to cover up everything discussed in the analysis of the research objectives and also the methodology which was used in conducting the research. Lastly it gives on recommendations which counter on problems identified by this very research as a way of proving itself useful to those it might have relevance to.

### **4.2 Summary.**

This research tackled up the question of the relationship that exist between democracy and economic growth. From the conclusions drawn up from the analysis it might be noted that the two variables have a relationship even though it might not be of considerable size but they do have an effect on the other. The findings of this research suggest that on a considerable note the economic sources are the ones which do largely impact economic growth thereby determining how the economic growth curve shapes out as they are the ones which can serve as a catalyst to boost the economic growth. Politics in the form of political systems do only have a slight effect mostly through policies enacted by government which in turn affect those economic sources. Another observation is that low economic growth do put pressure on

government thereby sometimes causing political instabilities in the process making governments to forego some of the democratic principles due to the fact highlighted way-back that social unrest do need some form of autocracy to be able to successfully deal with them. Thus in a nation which has got an economy which is poorly performing it is hard to find it having a relative high democratic score. An understanding of this is very vital to the people that have anything to do with politics and economics in that it gives some insight thereby equipping one with knowledge to make better judgements.

#### **4.3 Recommendations.**

Zimbabwe continues to be among the least competitive economies in the world. This is evidenced by the 2010 – 2011 Global Competitiveness Report by the World Economic Forum, which ranked Zimbabwe 136<sup>th</sup> (out of 139 economies) in terms of the Global Competitiveness Index. Zimbabwe has been characterized by a severely debilitated economy with a near collapse infrastructure. Most of the country's state institutions are a shadow of their past. The weak competitiveness of the Zimbabwe economy reflects several constraints that are critical in determining the level of productivity of the country. To accelerate growth, Zimbabwe must address the economic and political hurdles it is faces so as achieve the desired shift on to a new growth path.

- The implication from the study is that they is need by the government to address the issues that have to do with sources of economic growth. They is a significant need to boost TFP growth. In addition, investment which remain low compared to the group of comparable developing economies in the world, would need to be boosted.

Capital also stems as a binding constraint to economic growth thus capital constraints requires the government to come up with policies that enhance level of capital productivity.

- According to the Reserve Bank Report (RBZ) (2011) Zimbabwe need a comprehensive development framework underpinned by effective development plans and policies including industrial and other sectoral policies. Historical evidence show that all countries that have successfully transformed from agrarian economies to modern advanced had governments that played a proactive role in assisting individual firms to grow

The critical strategy for growth and development is to identify the appropriate sectors in which the country enjoys comparative advantage emanating from factor endowments. In this regard agricultural development is crucial for providing throughput and market for industrial products. Thus government and private sectors should priorities boosting productivity in the agricultural sector by investing in agricultural research and irrigation to increase productivity.

- They should also be efforts to resolve the country's adverse international image, which has tarnished by accusations of human rights violations.

#### **4.4 Conclusion.**

The research explored and assessed the relationship which exist between democracy and economic growth. After carrying out this assessment, the study was able to have some findings pertaining this relationship. These findings should be looked at much in regard to the case study that was used in this research. Thus in the end this research give recommendations which target most the problems out of the relationship of the two variables but which are within the case study used to assess the relationship.

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